

EXECUTIVE SUMMARY

DCMC-OG

MEMORANDUM FOR COMMANDER DEFENSE CONTRACT MANAGEMENT COMMAND

FROM: DCMC-OG
Prepared by: Ella E. Studer/DCMC-OG/767-3398/October 27, 1998

SUBJECT: Activity Report for Management Reform Memorandums
(MRM) 5 and 10

PURPOSE: To obtain the Commander's signature on the attached memorandum
forwarding the subject report to USD (A&T), et al

Upon your approval of reports for MRMs 5 and 10 for the period ending September 30, 1998, DCMC-OG will make final dissemination and distribute electronically to DoD Process Action Teams via-email and the DCMC Home Page.

RECOMMENDATION: Commander sign the memorandum at TAB A.

Approved for Submission to the Commander: JILL E. PETTIBONE _____

EXECUTIVE SUMMARY

DCMC-OG

MEMORANDUM FOR D/DD

FROM: DCMC-O

Prepared by: Ella E. Studer/DCMC-OG/767-3398/October 30, 1998

SUBJECT: Activity Reports for Management Reform Memorandums (MRM) 5 and 10

DISCUSSION:

Enclosed is MRM 5 and 10 quarterly report for the period ending September 30, 1998. It will be electronically distributed after your review.

RECOMMENDATION: D/DD review the memorandum at TAB A.

REVIEWED:

/s/ 11/3/98 Director

Comments:

Approved By: Major General Timothy P. Malishenko, USAF

DCMC-OG

OCT 30 1998

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (ACQUISITION AND TECHNOLOGY)
PRINCIPAL DEPUTY UNDER SECRETARY OF DEFENSE
(ACQUISITION AND TECHNOLOGY)
DIRECTOR, DEFENSE PROCUREMENT
DEPUTY UNDER SECRETARY OF DEFENSE (ACQUISITION REFORM)
DEPUTY UNDER SECRETARY OF DEFENSE (LOGISTICS)
ASSISTANT SECRETARY OF THE ARMY (RESEARCH, DEVELOPMENT AND ACQUISITION)
ASSISTANT SECRETARY OF THE NAVY (RESEARCH, DEVELOPMENT AND ACQUISITION)
ASSISTANT SECRETARY OF THE AIR FORCE (ACQUISITION)
DIRECTOR, BALLISTIC MISSILE DEFENSE ORGANIZATION
THROUGH: DIRECTOR, DEFENSE LOGISTICS AGENCY

SUBJECT: Activity Reports for Management Reform Memorandums (MRM) 5 and 10

Forwarded for your review are the activity reports for MRMs 5 and 10. The reports are intended to keep you apprised of these high-visibility programs.

Should you have any questions or concerns regarding information contained in the attached reports, please contact Ms. Janice Hawk, (703) 767-3433 for MRM #5, and Ms. Ella E. Studer, (703) 767-3398 for MRM #10.

/s/

TIMOTHY P. MALISHENKO
Major General, USAF
Commander

Attachments

cc:

See Distribution

Distribution list:

OASA (RD&A)

ASN (RD&A) ARO

ASN (RD&A) ABM

PDASAF (Acq & Mgmt)

Joint Staff ATTN: J4/SMPED

DLSC

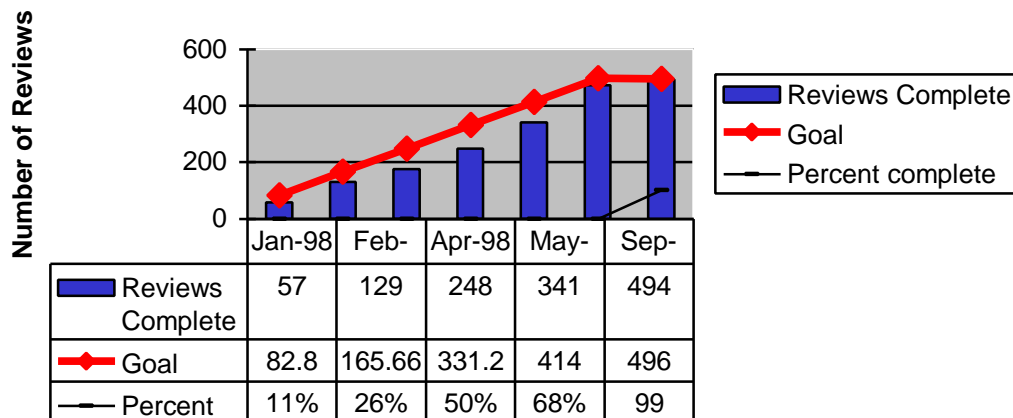
Management Reform Memorandum #5 (MRM #5)
Disposal of Excess Government-Owned Property
Monthly Report
Period Ending September 30, 1998

Purpose

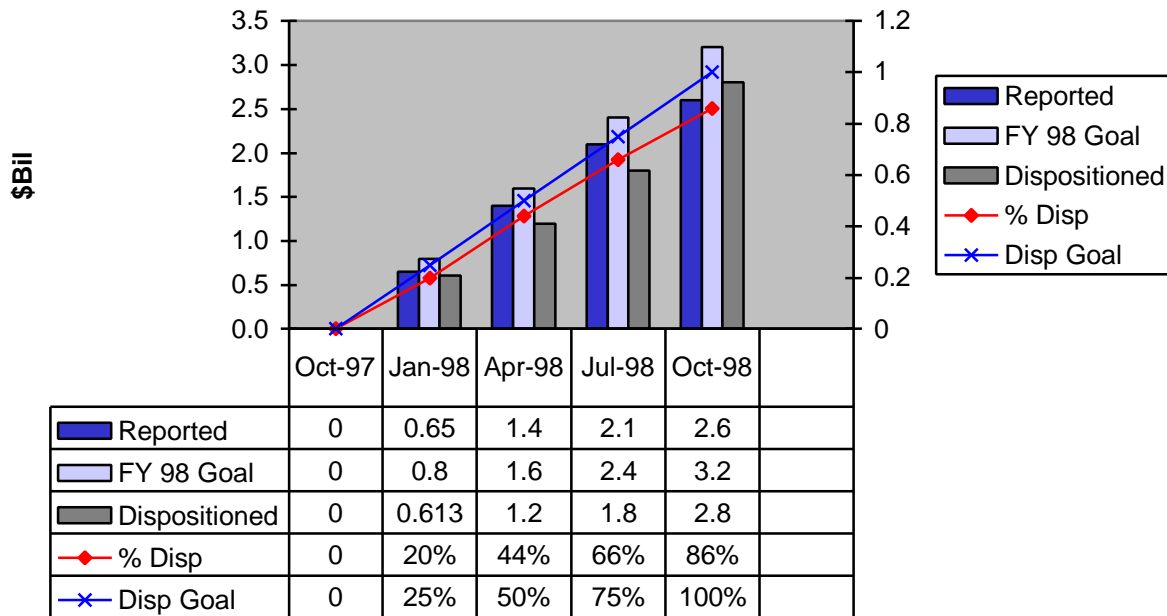
- Dr. Hamre instituted MRM #5 in May 1997 as an effort to dispose of excess Government property in possession of defense contractors. The goal is to dispose of \$7 Billion of property by January 1, 2000. MRM #5 is a joint effort of the Military Services and Defense Agencies, with Defense Contract Management Command as the lead agent.

Status

- **Goal #1:** By June 30, 1998, review 100 percent of the contractors' systems with contracts having more than \$3M of government property:
 - 100% of required reviews are scheduled (500 total reviews).
 - 99% of reviews completed as of September 30 (494 reviews complete).
 - Army - scheduled - 76, completed - 74 (97%)
 - Navy - scheduled - 47, completed - 47 (100%)
 - Air Force - scheduled - 56, completed - 56 (100%)
 - DCMC - scheduled - 317, completed - 317 (100%)



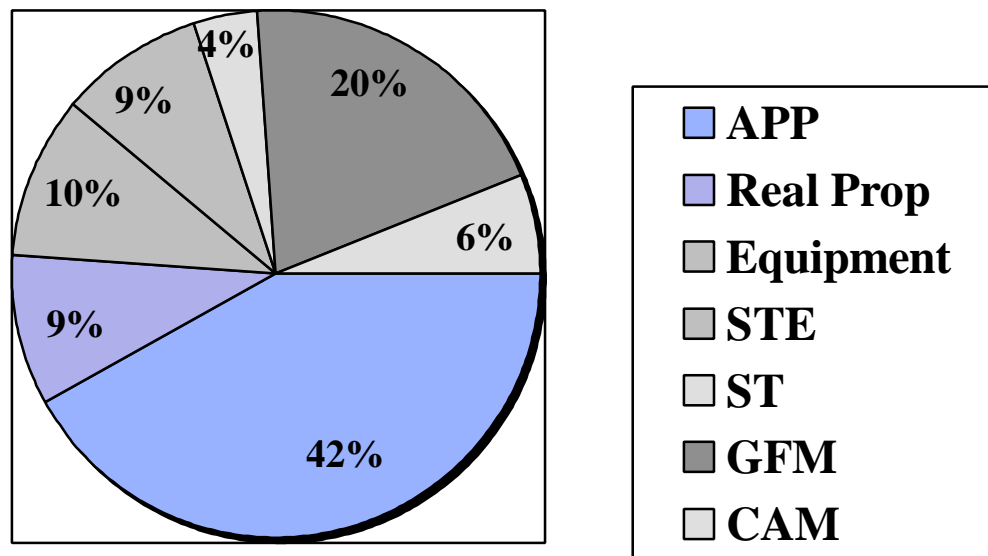
- **Goal #2:** Dispose of \$7 Billion of excess property by end of December 31, 1999
- \$2.275 billion reported in FY 98 (vs. \$1.821B FY 97)= 40% increase.
- Acquisition value of property currently being processed (\$1.7 billion) is highest level in over two years.
- Disposal is on an uptrend as focus shifts from completed utilization reviews.



- **Other MRM #5 Actions:**

- In February 1998, The Director of Defense Procurement (DDP) issued 3 class deviations to FAR Part 45. For excess property reported to GSA, the screening time frames were reduced from 60 to 36 days. This change will be incorporated in the FAR 45 rewrite. For property in poor and salvage condition, along with special test equipment without standard components, GSA screening is no longer required. This deviation is in effect until March 2000. The third deviation waives GSA screening for all property in scrap condition. This change will be incorporated in the FAR 45 rewrite. All of these deviations will accelerate the disposal process.
- In June 1998, DDP issued Departmental Letter 98-014 to lower the level of approval required for the use of auctions, spot bids, and retail sales of surplus contractor inventory from the head of the contract administration activity to the commander of the contract administration office. The plant clearance process will be accelerated when these types of sales are authorized.
- Language has been incorporated into the rewrite of the Defense Demilitarization Manual, DoD 4160.21-M-1, which will reduce the scope of special tooling requiring demilitarization (currently 100%) to approximately 15%. This change will help accelerate special tooling disposition. The Demilitarization Manual is expected to be published by the end of this year.
- As part of the MRM #5 initiative, it became apparent to the Department of the Navy (DON) that not all the players necessary to complete a comprehensive review of excess property were involved. In coordination with DCMC, the DON imposed a moratorium on property disposal actions. This moratorium was for 120 days, until all concerned parties were identified and incorporated into a review plan that ensured that all the necessary players would review the excess property. The increasing number of legacy systems that are in use by the operational forces but no longer in production requires that those parties involved in the life cycle support of these systems have a major interest in property disposal actions and be included in the disposal review process.

- DCMC has hosted training workshops for the DoD community, made presentations to defense contractors, prepared an MRM #5 informational video, and held workshops during Acquisition Reform Week #3. MRM #5 goals have also been discussed with industry associations, and were presented at the 1998 National Education Seminar for the National Property Management Association in June.
- Government owns \$89B at Contractor Plants-only \$44 Bil (49%), not including APP and Real Property, is within the MRM 5 Universe (top half).



APP - Agency Peculiar Property (Tanks, Engines)
STE - Special Test Equipment (Test Stations)
ST - Special Tooling (Jigs, Dies, Fixtures)
GFM - Government Furnished Material (Nuts, Bolts, Etc.)
CAM - Contractor Acquired Material (Nuts, Bolts, Etc.)
Equipment - (Computers, Lathes, Milling Machines, Etc.)
Real Property - (Land, Buildings)

UPDATE:

- Briefed MRM #5 at the Defense Property Accounting System 1998 Users Conference on June 24, 1998.
- Briefed MRM #5 at the DCMC Industry Crosstalk Conference on August 12, 1998
- Briefed MRM #5 at the Joint Services Contract Administration Services Executive Meeting on October 7, 1998.
- DoD Demilitarization Program Manager issued Bulletin No. 99-002 which revised the demilitarization requirements for Government owned excess special tooling. This policy will decrease disposal costs and speed up the disposal process.
- Briefed MRM #5 to the Defense Reform Office on October 23, 1998.

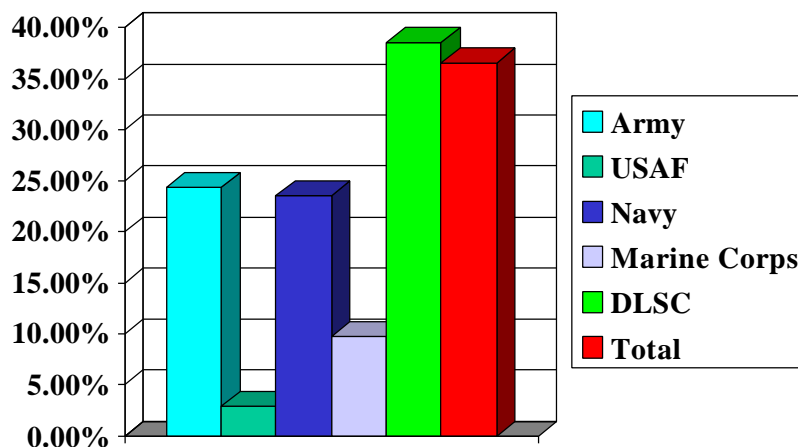
Management Reform Memorandum # 10 (MRM #10)
Redesigning Department of Defense Source Acceptance Policies and Procedures
Monthly Report
Period Ending September 30, 1998

Purpose:

- Perform a comprehensive reassessment of current source acceptance policies and procedures. Identify and eliminate policies and procedures that lead to the performance of unnecessary source inspection. Develop alternative methods of assuring quality.

Overall Summary

Item Review Status
Update Through September 30, 1998



FY 98 2nd, 3rd & 4th QTR Total Numbers

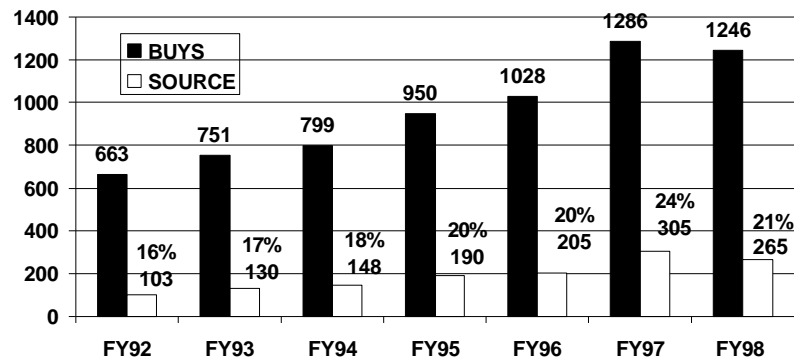
	Army	USAF	Navy	Marines	DLSC	TOTAL
# Reviewed	8,612	8,172	23,782	61	344,747	385,374
# Removed GSI	2,099	240	5,615	6	132,600	140,560
% Removed GSI	24.4	2.9	23.6	9.8	38.5	36.5

- Most items are being reviewed “as procured”
- Not all National Stock Numbers (NSN) are active--may never be reviewed
- Numbers include mass computer changes of NSN categories.

Defense Logistic Support Command (DLSC):

DLA FY TOTAL BUYS vs SOURCE

THOUSANDS



DISC - Philadelphia:

DISC	2 nd QTR 1998	3 rd QTR 1998	4th QTR 1998	Cumulative To Date
Number Unchanged	1,660	143,372	1,225	146,257
Number Changed	179	53,299	551	54,029
% Changed to Destination	9.7	27.1	31.0	27.0
Total Reviewed	1,839	196,671	1,776	200,286

DSCR – Richmond:

DSCR	2 nd QTR 1998	3 rd QTR 1998	4th QTR 1998	Cumulative To Date
Number Unchanged	17,856	8,686	8,903	35,445
Number Changed	7,471	4,380	4,523	16,374
% Changed to Destination	29.5	33.5	33.7	31.6
Total Reviewed	25,327	13,066	13,426	51,819

DSCC-Columbus:

Construction	2nd QTR 1998	3rd QTR 1998	4th QTR 1998	Cumulative To Date
Number Unchanged	11,805	6,697	5,565	24,067
Number Changed	2,003	1,380	1,417	4,653
% Changed to Destination	14.5	17.1	20.3	16.2
Total Reviewed	13,808	8,077	6,982	28,720
Electronics				
Number Unchanged	2,118	1,618	1,426	5,162
Number Changed	3,142	1,855	1,676	6,673
% Changed to Destination	59.7	53.4	54.0	56.4
Total Reviewed	5,260	3,473	3,102	11,835
DSCC Totals				
Number Unchanged	13,923	8,315	6,991	29,229
Number Changed	5,145	3,235	3,093	11,326
% Changed to Destination	27.2	28.0	30.7	27.9
Total Reviewed	19,068	11,550	10,084	40,555

DSCP - Philadelphia:

Subsistence	2nd QTR 1998	3rd QTR 1998	4th QTR 1998	Cumulative To Date
Number Unchanged	3	202	0	205
Number Changed	170	0	0	170
% Changed to Destination	98.3	0	0	45.3
Total Reviewed	173	202	completed	375
Medical				
Number Unchanged	332	0	0	332
Number Changed	5,996	0	0	5,996
% Changed to Destination	94.7	0	0	94.7
Total Reviewed	6,328	completed	completed	6,328
Clothing & Textiles				
Number Unchanged	156	4	519	679
Number Changed	35	33	34	102
% Changed to Destination	18.3	89.2	6.1	13.1
Total Reviewed	191	37	553	781
DSCP Totals				
Number Unchanged	491	206	519	1,216
Number Changed	6,201	33	34	6,268
% Changed to Destination	92.7	13.8	6.1	83.8
Total Reviewed	6,692	239	553	7,484

DLSC Totals	2nd QTR 1998	3rd QTR 1998	4th QTR 1998	Cumulative To Date
Number Unchanged	33,930	*160,579	17,638	212,147
Number Changed	18,996 *44,456	*60,947	8,201	132,600
% Changed to Destination	35.9 plus	27.5	31.7	38.5
Total Reviewed	*97,382	*221,526	25,839	344,747

* Includes mass computer changes

Army	2nd QTR 1998	3rd QTR 1998	4th QTR 1998	Cumulative To Date
Number Unchanged	1,486	2,037	2990	6,513
Number Changed	331	594	1174	2,099
% Changed to Destination	18.2	22.6	28.1	24.4
Total Reviewed	1,817	2,631	4164	8,612

Air Force	2nd QTR 1998	3rd QTR 1998	4th QTR 1998	Cumulative To Date
Number Unchanged	2,317	2,790	2825	7,932
Number Changed	129	75	36	240
% Changed to Destination	5.3	2.6	1.3	2.9
Total Reviewed	2,446	2,865	2861	8,172

Marine Corps	2nd QTR 1998	3rd QTR 1998	4th QTR 1998	Cumulative To Date
Number Unchanged	10	0	45	55
Number Changed	0	0	6	6
% Changed to Destination	0	0	11.8	9.8
Total Reviewed	10	0	51	61

Navy:

* Level 1/Subsafe	2nd QTR 1998	3rd QTR 1998	4th QTR 1998	Cumulative To Date
Number Unchanged	4,763	0	0	4,763
Number Changed	0	0	0	0
% Changed to Destination	0	0	0	0
Total Reviewed	4,763	0	0	4,763
** Nuclear Reactor Material				
Number Unchanged	6,750	0	0	6,750
Number Changed	0	0	0	0
% Changed to Destination	0	0	0	0
Total Reviewed	6,750	0	0	6,750
Submarine HOE				
Number Unchanged	0	0	0	0
Number Changed	890	0	0	890
% Changed to Destination	100	0	0	100
Total Reviewed	890	0	0	890
Aviation				
Number Unchanged	1,465	660	2,543	4,668
Number Changed	138	27	274	439
% Changed to Destination	8.6	3.9	7.2	8.6
Total Reviewed	1,603	687	2,817	5,107
Ship Systems				
Number Unchanged	0	1,606	0	1,606
Number Changed	0	4,105	0	4,105
% Changed to Destination	0	71.9	0	71.9
Total Reviewed	0	5,711	0	5,711
Nuclear Reactor Boundary				
Number Unchanged	0	0	380	380
Number Changed	0	0	181	181
% Changed to Destination	0	0	32.3	32.3
Total Reviewed	0	0	561	561
Navy Totals				
Number Unchanged	12,978	2,266	2,923	18,167
Number Changed	1,028	4,132	455	5,615
% Changed to Destination	7.3	64.6	13.5	23.6
Total Reviewed	14,006	6,398	3378	23,782

- * Source inspection retained in accordance with NSLC letter 4400 Ser N44/00864 dated December 12, 1997.
- ** Source inspection retained in accordance with NAVICP letter 4400 Ser 874/02 dated January 29, 1998.
- **Ahead of schedule.** The Navy has reviewed 97% of items projected for procurement in FY 98 and FY 99 that are coded for GSI.

UPDATE:

- Briefed MRM #10 to:
 - Aerospace Industries Association Supplier Conference on September 30, 1998.
 - Mr. Oliver, Deputy Under Secretary of Defense (Acquisition and Technology) on October 6, 1998.
 - Joint Services Contract Administration Services Executive Meeting on October 7, 1998.
 - Aerospace and Defense Quality Management Committee on October 14, 1998.
 - Defense Reform Office on October 23, 1998.
- **Next Step - Supplier Excellence Vs Parts Inspection:**
 - Test Ideas - Approved by Deputy -USD (AR)
 - Reinvention Lab Status- Use Closed Loop Approach
 - Pick a Commodity/Industry Sector/Supplier
 - Third Party Quality System Approvals
 - Cross-Sharing of Supplier Performance Data
 - Cross-Sharing of QPLs, QMLs, etc
 - Contractor Qualification Program - Rely on Periodic Reviews
 - Layout Overall Schedule – January 1999
 - Establish Plans
 - Identify Experiment Sites
 - Establish Start and End Dates
 - Establish Metrics
 - Data Collection, Reporting and Analyses
 - Experiment Conclusions and Recommendations